

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 13, 2013
Revised
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$14,325,000

Project Information:
Name: Laurel Village Apartments
Project Address: 9700 Canyon Blvd.
Project City, County, Zip Code: Los Angeles, Los Angeles, 91331

Project Sponsor Information:
Name: Laurel Village, LP (Laurel Village GP, LLC)
Principals: Robin Hughes, Rick Saperstein, Holly Benson and Kasey Archey
Property Management Company: Abode Communities

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A.
TEFRA Hearing Date: September 3, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 79, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 80-unit family development on 4.47 acres, located in the Pacoima area of Los Angeles. It consists of ten (10) two-story wood-framed buildings designed in a garden, walk-up style, with eight (8) apartments per building. The current unit mix of 64 two-bedroom apartments and 16 three-bedroom apartments will remain unchanged after the rehabilitation is completed. The targeted population for the project is households earning 50% and 60% of the Area Median Income (AMI). Specifically, the targets are 24 units at 50% AMI and 56 units at 60% AMI and one unrestricted manager's unit. However, since this project has an existing Section 8 Housing Assistance Payment Contract the property is able to service people who have much lower incomes. The project has two laundry rooms, a half-sized basketball court, a children's play area, and a large, concrete-paved parking lot with 173 parking spaces. The rehabilitation will focus on significant upgrades to the apartment units, outdoor areas, building systems, and new construction of a community room and property management office space. Renovations are expected to begin in late December 2013 and will take approximately 14 months for completion in March 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 91%

30% (24 units) restricted to 50% or less of area median income households.

61% (48 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

The proposed project will include after school programs provided weekdays throughout the school year for at least ten (10) hours per week; and a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 21,564,965	
Estimated Hard Costs per Unit:	\$ 71,074	(\$5,614,879 /79 units)
Estimated per Unit Cost:	\$ 272,974	(\$21,564,965 /79 units)
Allocation per Unit:	\$ 181,329	(\$14,325,000 /79 units)
Allocation per Restricted Rental Unit:	\$ 181,329	(\$14,325,000 /72 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 14,325,000	\$ 8,884,383
LIH Tax Credit Equity	\$ 1,033,000	\$ 6,884,387
Deferred Costs	\$ 1,476,387	\$ 0
Cash Reserves from Seller	\$ 826,346	\$ 826,346
Deferred Developer Fee	\$ 0	\$ 375,617
Inc. from operations during rehab	\$ 0	\$ 690,000
Other (Seller carry back)	\$ 3,904,232	\$ 3,904,232
Total Sources	\$ 21,564,965	\$ 21,564,965

Uses of Funds:	
Acquisition/Land Purchase	\$ 9,584,346
On & Off Site Costs	\$ 239,989
Hard Construction Costs	\$ 5,374,890
Architect & Engineering Fees	\$ 377,000
Contractor Overhead & Profit	\$ 355,972
Developer Fee	\$ 2,237,900
Relocation	\$ 600,018
Cost of Issuance	\$ 420,200
Capitalized Interest	\$ 418,300
Other Soft Costs (Marketing, etc.)	\$ 1,956,350
Total Uses	\$ 21,564,965

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction. Wells Fargo Bank will directly purchase up to \$14,325,000 in private activity bonds. During the construction phase, the bonds will carry a variable interest rate which is based on LIBOR plus a spread. During the permanent phase, the principal of the bonds will be reduced to approximately \$8,884,383 and the permanent phase bonds will have a fixed rate based on the 15-year muni bond index plus a spread. The bonds will be issued by the City of Los Angeles.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 61 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,325,000 in tax exempt bond allocation on a carryforward basis.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	33
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	61

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.